



**An Interview with John Latham
Chairman, Camgrain**



Farmers with focus

Camgrain is the UK's largest farmer-owned central grain storage business providing a complete 'combine to customer' service. Camgrain has been at the forefront of establishing supply chain partnerships with grain processors, manufacturers and retail groups.

In 2007, Sainsbury's announced that Camgrain, via Openfield – has been offered a long-term two year contract to supply the wheat milled for Sainsbury's in-store bakery flour by Whitworth Bros Ltd, providing longer-term security. For the first time, British arable farmers have a direct relationship with a specific retailer supplying the wheat for their in-store baked bread, and Sainsbury's are able to demonstrate sourcing with integrity and best provenance.

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EFFP: Camgrain set out to achieve something unique: the organisation and alignment of farmers through a large, well invested and professionally run central storage facility on a scale that allowed you to build effective supply chain partnerships that extend, in some cases, to retail level. Why did you choose this direction for the business and how important has farmer ownership and commitment been to achieving that?

JL: It has always been a deliberate strategy to build our ownership stake in the supply chain because we felt it was the best way to benefit our members. The Camgrain business started in 1983 as an off-farm storage solution with about 15,000 tonnes capacity and it has since grown year on year to 2009 where we now store around 250,000 tonnes of combinable crops, which is supported by 350 members. As we grew we reached a critical size where we are able to act as a dedicated sole supplier in a closed loop supply chain. That also came at a time when the consumer became more interested in where their food comes from and they therefore put pressure on retailers and manufacturers to demonstrate best provenance. We were both large enough to meet the level of demand and able to give the customer the opportunity to demonstrate best provenance; all of a sudden we were able to work with the supply chain and be part of it, rather than just being a supplier to it. Being just an off farm storage solution has limited benefits for our customers so as we grew in size our capability to dry, segregate and blend our members' grain to specification grew as well. This is something that has far greater benefit to our customers enabling us all to drive costs, waste and duplication out of the supply chain. Farmer ownership and commitment was essential in all of this. Our board of directors worked with EFFP to develop and drive the strategy and the investment came from the members.'

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EFFP: What have the members invested in and how important was it to have customer support when investing?

JL: There has been substantial investment in fixed assets in two sites just south of Cambridge. Our first site, established in 1983, is located in Linton and has 150,000 tonnes capacity. Our most recent investment, to establish a second site (an Advanced Processing Centre where we have increased capacity and processing capabilities) is located just down the road and came from our farmer members continued demand and has been supported by grant funding from the East of England Development Agency through the Rural Development Programme for England. The members have also invested in less tangible, but equally valuable, assets such as management expertise and organisation, logistics expertise, product quality control, financial security amongst many others. The role of the customer in supporting investment has been essential because it sends the right signals to farmers that this is their preferred route to source their food ingredients from. That is a powerful message because when it comes to farmers investing or re-investing their money it gives them confidence that there is a sustainable route to market that will provide a return on their investment delivering a long-term solution to farmers and customers.



EFFP: What does the customer get in return?

JL: I think the most valuable thing we are able to give our customers is a form of brand protection to processors, manufacturers and retailers of food products where the market place expects best provenance, quality and integrity. This means, therefore, that the supply chain also needs to have the utmost integrity because if there is a problem, brand value can be quickly lost and that can be very damaging as it is in the brand where the most value often lies. So between the need to control the supply chain and delivering what the consumer wants, there is something unique in what Camgrain can offer and that gives protection and assurance to manufacturers and retailers of branded food products: that is what they are buying into.

A very good example is the contract we have to supply Sainsbury's, through the miller Whitworth's, with flour for all their in-store bakeries. We are able to dry, segregate and blend all of Sainsbury's wheat requirements to the correct specification and demonstrate best provenance. By working with the miller Whitworth's on a vendor assured basis, there is a very high level of quality control in the supply chain. The benefits do not stop there because we have been able to reduce cost (for example, through out of hours delivery to the miller and by removing duplication of testing processes). Because of this we have also been able to reduce stress on the road network, which in turn leads to a reduction in environmental impact. In combining all these benefits we are able to offer a holistic supply chain solution that can be traced right back to a known group of farmers.

EFFP: The onset of recession has led the major multiple retailers to sharpen their value for money offering. Does it concern you that the pressure to reduce costs will extend down the supply chain and be the dominant focus going forward?

JL: I think that has undoubtedly happened in some chains; for example, fresh produce where prices are often negotiated on an individual basis and with less price transparency. We have not felt it for two reasons. First, because there is a global reference price for grain so there is greater transparency and second, demand for bread and cereal based products tends to be relatively constant.

EFFP: But if the road to economic recovery is slow and supply chains are under pressure to reduce costs do you think the trust and commitment you have been able to develop will be tested?

JL: We would hope not! We are assured that although it is tough for consumers and in some instances consumers have been trading down, the underlying trend is unchanged: consumers want good value food and all the extras that go with it, such as provenance. If the supermarkets believe this is still the case then the opportunity must be to have more of these supply chain arrangements, not less. In the last few years I think there has been a subtle shift where food companies have sought to secure their supply of raw materials on a more sustainable basis and to demonstrate to consumers that they are doing that with integrity.

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EFFP: All the same, the pressure on food companies to offer consumers greater value for money has increased. Is it possible to give consumers the added value benefits which they have become accustomed to, such as provenance, and at the same time reduce supply chain costs?

JL: We are already doing that. If you take the Sainsbury's contract we are able to deliver the same high quality product and take cost out at the same time. For example, Sainsbury's used to rely on 20 per cent Canadian wheat for their Taste the Difference range of in-store bakery bread but by working very closely with us – and particularly Whitworth's – they have been able to produce 100 per cent British flour from domestic grist. Being able to work on a vendor assured basis means that we are able to reduce waste, drive logistics efficiencies and, by maximizing front end infrastructure at the mill, take cost out at the mill as well.

EFFP: Has the increase in volatility in grain prices made it difficult to balance member and customers interests?

JL: Both our members and customers are looking for long-term stability not short-term opportunism, because of that we have been able to take a lot of risk out the chain. The onus is on the customer to secure that long-term stability but it is quite easy to do that. For example, they can secure a base price for wheat now for up to two years by using a futures contract, so that already gives them some certainty. What we can also do is agree, in advance, a margin above that base price for bread making wheat so the customer is able to secure that premium to give them an extra level of certainty. We will back our positions off against contracts with our farmer members so they get some security of demand and price. This enables us to balance supply and demand and take a lot of uncertainty out of the chain for both our members and customers.

EFFP: Farmers are faced with several long-term challenges, not just volatility. For example, the need to increase production to feed a growing population but to do that with less energy, less water and with as little environmental impact as possible. How can a business like Camgrain help the food chain to meet these challenges?

JL: Our prime focus is to meet our customers' needs and wants. We have to be responsive to these broad issues and for us that means we need to deliver what the market wants as competitively as possible. I think the onus falls squarely on the industry (for example agricultural, chemical and biotech industries) to inform consumers why these issues are important and I am sure that will be an interesting debate going forward. In responding to these issues I am sure there will need to be a joined up approach between producers, processors, manufacturers and retailers but with such a fragmented producer base that can be difficult. That is where businesses like Camgrain can play an important role; because we represent a group of farmers the food chain only needs to have one central point of contact, not 350 disparate ones, in order to improve communication and to facilitate co-ordinated action. So as far as our business is concerned we will do what the market wants, as far as the industry is concerned it is really important that we have this debate.

ABOUT US

We are

- A leading agri-food business consultancy
- A hands-on organisation that develops insightful and innovative solutions
- Backed by the farming and food industries and also government
- A national organisation with a dedicated team of highly experienced product sector and regional specialists
- Born out of the industry and committed to delivering our mission; all profits are reinvested back into the industry

Our expertise, reputation and independence has enabled us to deliver over 250 successful projects across many product sectors to clients throughout the food supply chain.

We offer

- Strategic insights into what is happening both globally and nationally and crucially the implications for UK businesses
- A range of business development services to help deliver growth, organisational and structural improvements and continuing professional development
- Expert advice and practical solutions to strengthen and integrate the supply chain back to farm level
- An opportunity to share knowledge through our networks, publications and events programme

Who to contact

We have a wide range of expertise, knowledge and interests throughout our team and deliver business development and supply chain services bespoke to our clients needs. To discuss how EFFP can support your business please contact one of our team below,

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